OUR NATIONAL PROSPERITY
DISTRIBUTION OF PROPERTY AND INCOME

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It will be generally conceded that in the economics of an individual, his material prosperity is in direct proportion to his material wealth. This clearly reflects the ordinary meaning of the word prosperity. In the case of a nation, our first thought would be that the average or per capita wealth would fairly represent the national prosperity, but a little reflection will show that this is not the case. We can conceive of a nation in which the entire population save one were the abject slaves of that one, producing wealth of an absurdly luxurious sort for his use and consumption, and retaining for themselves the barest pittances. Here the per capita wealth might be very high, although practically the whole of the population would be on the verge of starvation. Egypt, at the time her ancient kings were building their great monuments, gives us a picture of a nation that approached such a condition. Where such inequality in distribution exists, the average wealth is no indication of the prosperity of a people, which may be estimated only by an examination into the extent of the inequality in distribution. The prosperity of any given people can not be measured by its wealth, but rather by that prosperity among its individuals that predominates. We can not think that the excessive wealth of some in any way averages up or compensates for the poverty of the masses.

There are two aspects of wealth—the property aspect and the income aspect. In speaking of property we refer to the stock of wealth, whereas income is the rate at which wealth is being acquired, as so much per day or per year. The national wealth is the sum of the wealths of all individuals and the national income is the sum of all individual incomes.[1]

Income may be divided into two parts, one which is consumed and one which is saved. If the rate of consumption be subtracted from income, the difference is the rate of saving.

All income is acquired by individuals through two clearly defined and undisputed sources. These are the income from labor or services rendered; and the income from property owned. But while income is thus *acquired,* it is *produced* solely by the labor element, notwithstand-

[1] Property and income nominally held to the account of corporate bodies or governments must here be considered as distributed among such individuals as are the real owners.

ing the fact that property is a factor in wealth production. It is a factor and not a producer in the same sense that the wheels of an engine are a factor and not a producer of the energy developed, which is derived solely from the potential energy of the coal. Not only may labor produce without property, but it is the producer *of* property. In short, property does not produce, it is an opportunity to produce.

The proposition that all income is produced by labor will be disputed, for at once there comes to mind that portion of income that arises through an increase in land values and which at first sight can not be attributed to production by labor. But—taking land values as typical of all forms of so called wealth not directly attributable to labor—the following propositions, at least, are evident: (1) That value attaches to land solely because land ownership is the privilege, through rent, of regularly acquiring the products of labor. (2) That in a society which is economically static to the extent that land values are stationary, *all* income is the product of labor. (3) That in the long run and in the world at large *all* income is unconditionally the product of labor since history shows us that civilizations, and therefore land values, rise and fall in long period oscillations. (4) That in a country like the United States where land values are increasing, such increase is only a part of property income, the other part consisting of rent on land values and returns from other forms of capital, all of which is unquestionably the product of labor.

In the absence of property incomes, service or labor incomes could be equivalent to the wealth produced, but since property incomes absorb some of this wealth, the average of service incomes must be less than the average wealth that service produces. Neglecting for the time being that part of property income arising through increase in land values, it is evident that the dual source of income—service and property—can not apply to the national income as a whole, which must be equivalent to the national production. This is to say that the distinction between the two kinds of income is a socially internal one, some have the property income *because* others have it not. A man may receive more or less than he produces, according as other men receive less or more than they produce, but not so with the community as a whole which receives just what it produces.[2]

In all the figures compiled in this investigation land values are included, partly because present methods of accounting make it difficult to distinguish these from the products of labor, and partly because to raise the distinction would be to raise questions beyond the scope of our survey. But we may remember that in so far as any form of wealth

[2] Foreign relations are here neglected. But in 1914 the excess of our wealth sent abroad ($470,000,000) was only about 1½ per cent. of our total wealth production for the year. To that extent approximately we were paying foreign nations a property income with our labor.

is not a product of labor, it is merely a "capitalized value" of an income consisting of the products of labor.

That the present distribution of wealth in the United States is exceedingly unequal is yearly becoming more and more apparent to even less thoughtful people. The question of the injustice in the distribution of either property or income, or of a remedy for that injustice, is not here at stake. Our purpose is to present graphically the spectacle of inequality as it exists, and its relation to our national prosperity of which we are accustomed to boast. We will first examine the distribution of property and then the distribution of income, for these correspond to the two ways in which we may think of prosperity.

There being no recent figures in regard to the distribution of property, it is necessary to content ourselves with the distribution of 1890. Fig. 1 shows in a graphic manner the distribution of 1890, but transformed so that the total wealth and population correspond to 1913. Since concentration is increasing, we may bear in mind that inequalities in distribution shown by this diagram are less than the actual inequalities of to-day. The family instead of the individual is here taken as the unit. The presumption is that unmarried adults are considered as families of one each, so that with few exceptions the total wealth of the country is represented in the diagram. Each family averages about five persons, of which two are, on the average, "gainfully employed."

The horizontal base line of the figure must be imagined as divided into 19,200,000 equal parts, one for each family in the country. The families are arranged in the order of their wealth, the wealthiest at the right end and the poorest at the left end. If over each of these minute divisions we erect a vertical line the height of which represents the amount of wealth owned by that family, the tops of these vertical lines can be connected by a continuous curved line, as shown. Since these vertical lines are arranged in the order of their length, the curved line or locus will everywhere slope up from left to right, but, aside from this, it might have any form according to the manner in which the total wealth was distributed among the families.

The striking feature of such a diagram is the fact that its area represents the total amount of wealth, and any portion of its area enclosed between vertical lines represents the wealth owned by the portion of the population that these lines intercept on the base line. The lined area, then, is the total wealth of the country, and that the great bulk of this wealth lays with the first tenth of the population is evident at a glance. Imagine the figure as a great piece of land of just that shape and of uniform fertility and usefulness throughout. Then if we divide it up by 19,200,000 equi-spaced fences, parallel to the straight line at the right end, the narrow strips so formed would be distributed one to each family, and as shown by the figure the first 10 or 20 per cent. of

the population would get practically the whole thing, while the land going to the last half of the population is a negligible share. In this mental picture we are merely taking land as typical of wealth in general.

So unequal is the distribution and so attenuated the shape of the figure, it was not possible to show satisfactorily the upper right portion of it. This limb must be imagined as extending upward to such a height that a half of the whole area lies in the right-hand strip corresponding to 1 per cent. of the population. The curve would finally meet the extreme right hand line in an exceedingly sharp point whose height would represent the fortune of the richest man in the country. Taking this at a billion dollars, the figure would have to be ten thousand times higher to show it. The pertinence of this diagram is not so much in the numerical values that may be scaled from it, but in the graphic or pictorial impression we get from the manner in which the area is distributed with regard to the horizontal base line. However, *1 per cent. of the people own more than the remaining ninety-nine!* Think of it! One half the national wealth practically crossed out as

FIG. 1. This diagram is based upon an estimate for 1890 by Charles B. Spahr. (See his "The Present Distribution of Wealth," pp. 69.) The diagram shows the wealth and population of 1913 with the distribution of 1890. It was made by prorating from one period to the other by population and total wealth. Spahr's figures thus transformed give:

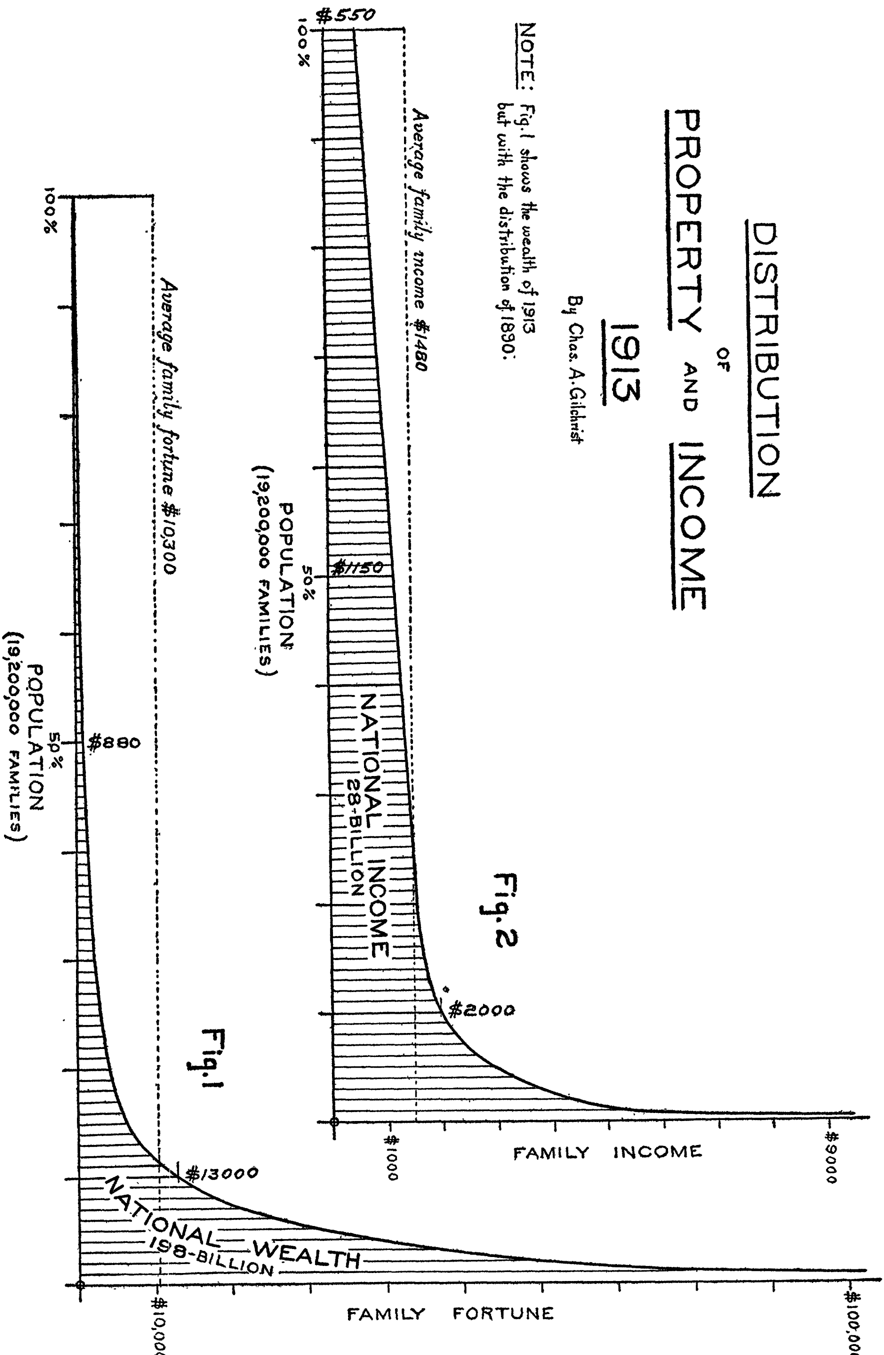
Families					Total for Group
88.5%	or	17,000,000	own	under $10,000	$27,450,000,000
10.5	or	2,000,000	own	$10,000 to $100,000	70,150,000,000
1.0	or	200,000	own	$100,000 and over	100,650,000,000
100%		19,200,000			$198,250,000,000

These data were sufficient to fix but two points on the curve, but the total wealth between these points being given, the intervening curve was drawn with just enough concavity to make the area below it equivalent to that amount of wealth. In the same way the amount of wealth for all those families owning less than $10,000 determined the concavity of the left end of the curve. If the wealth of every family was known and plotted, the resulting curve would undoubtedly be less smooth and continuous than the one drawn, but it would follow the general trend of that curve.

FIG. 2. Figures for this diagram were first compiled for what the census calls "persons gainfully employed," and then transformed to the family as a unit on the basis of 42 per cent. of population gainfully employed, and 5.05 persons to the family. This is equivalent to 2.1 persons gainfully employed, to the family.

Personal incomes below $1000 ($2100 family income) were apportioned by figures of Scott Nearing for the year 1913. (See his "Income," pp. 106.) Incomes above $2500 were taken from the Annual Report of the Commissioner of Internal Revenue for 1914, and increased 20 per cent. to cover omissions. (Income tax returns, pp. 112.) Incomes between $1000 and $2500 were allotted to the remaining population. Transformed to families, these figures give:

Families				Total Income of Group
42.6%	or	8,200,000	under $1050	$6,600,000,000
39.7	or	7,614,000	$1050 to 1575	10,100,000,000
9.0	or	1,720,000	1575 to 2100	3,100,000,000
7.8	or	1,500,000	2100 to 5250	4,900,000,000
.9	or	166,000	5250 and over	3,800,000,000
100%		19,200,000		$28,500,000,000


DISTRIBUTION
OF
PROPERTY AND INCOME
1913
By Chas. A. Gilchrist
NOTE: Fig. I shows the wealth of 1913 but with the distribution of 1890.
Fig. 1
Average family fortune $10,300
$880
$13000
NATIONAL WEALTH
198-BILLION
100%
50%
POPULATION
(19,200,000 FAMILIES)
FAMILY FORTUNE
$10,000
$100,000
Fig. 2
$550
Average family income $1480
$1150
$2000
NATIONAL INCOME
28-BILLION
100%
50%
POPULATION
(19,200,000 FAMILIES)
FAMILY INCOME
$1000
$9000

far as national prosperity goes, since it is the property of but 1 per cent. of the population! Four fifths of the people own but one tenth of the wealth!

The dotted line showing the average wealth per family is seen to be not the least indication of what families in general are worth, seeing that 70 per cent. of the families do not own even a fifth of the average family wealth. There is a big difference between the *average* family wealth and the *predominating* family wealth. The family midway between the extremes is worth about $880 and this is perhaps as near as any one figure may come to expressing the family wealth that predominates among such enormous variations. Would not the prosperity of the nation be far more truly reflected in this middle family wealth of $880, than in the average family wealth of $10,300? The one is the wealth of the average family and the other is the average wealth of families. The complete failure of the significance of the average is strikingly shown by the fact that the *mean variation* from the average is $15,500[3]—more than the average itself.

Turning now to examine the distribution of income, we find that it differs in a marked way from the distribution of property. Fig. 2, which is the diagram for income distribution, is constructed in precisely the same way that the diagram for property was constructed—areas represent total incomes.

Had we not examined the property diagram first, we might have been impressed with the great inequality of the income distribution. Quite a portion of the area is lost to view in the extreme height of the narrow vertical point, for the group of incomes above $5,250 represent over 13 per cent. of the total income, and they are absorbed by less than 1 per cent. of the people. But as compared to the property distribution, we see that the distribution of income among the masses is less niggardly. There is not the same great gap between the average income and the income of the middle man as in the case of property where the middle property was but 15 per cent. of the average. But the mean variation from the average is very high, being about 50 per cent. of the average. The average income is remarkably low, for in all incomes were leveled up, each family would receive but $1,480 ($300 per capita), which seems to be about what half of them are now actually getting, although some 40 per cent. are receiving less than half as much, while the remaining tenth might be accounted from middle class to exceedingly rich. The yearly income of our richest American citizen exceeds the life-time earnings of two thousand of our average American citizens. Mr. Rockefeller's income is about $100 a minute. His yearly income is roughly equivalent to the income of fifty average American citizens sustained through the entire Christian Era.

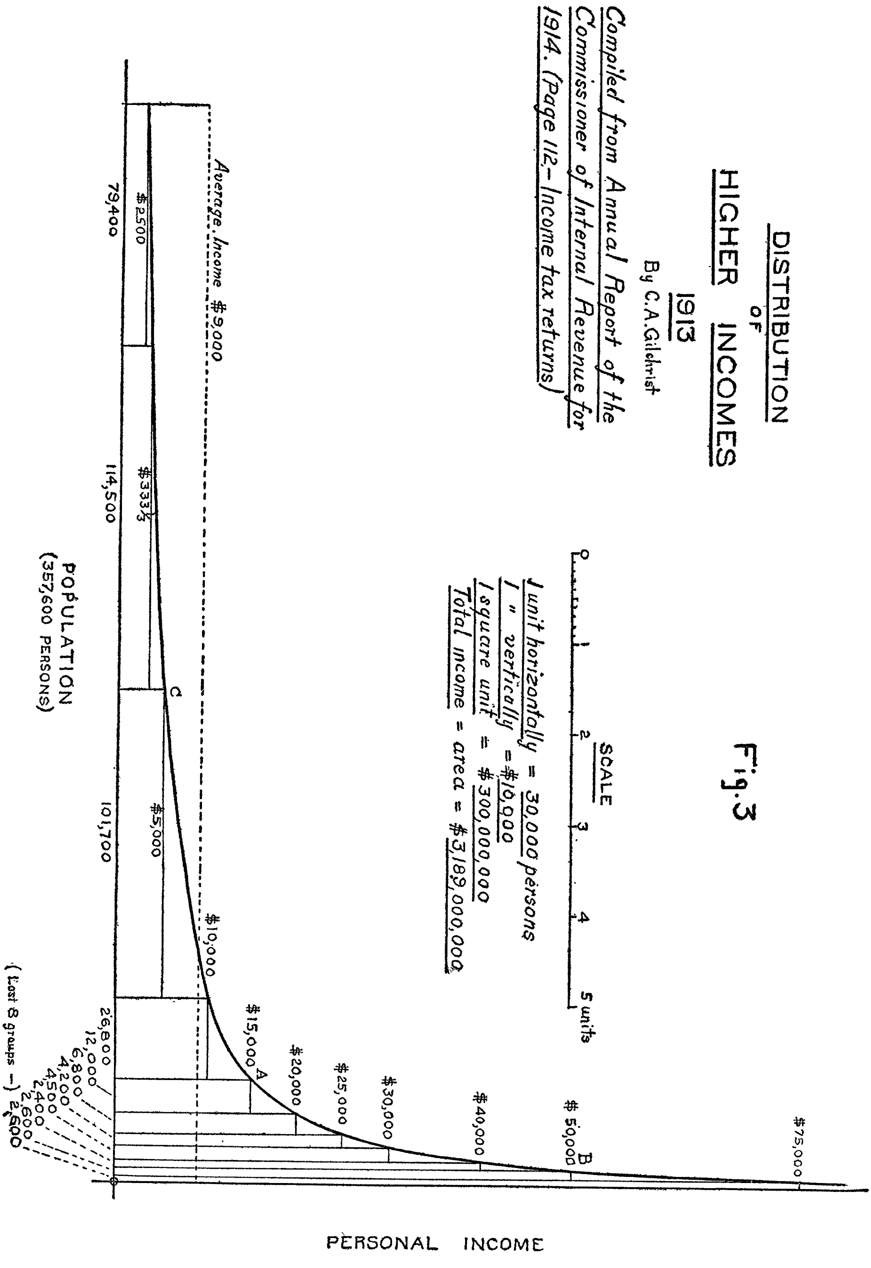
[3] Obtained by dividing the wealth represented by the total area between the curve and the dotted line by the number of families.

From Fig. 2 it would seem probable that the continuity of change in the higher incomes was continued down to incomes in the neighborhood of $1,600, but below that point the curve seems to change its nature, becoming much straighter. The cause of this probably lies in the fact that incomes, unlike property, can not fall below a certain minimum if life continues. This is what economists call an income or wage of "bare subsistence." For all incomes in the lower portion of the diagram the term wage, would, of course, be synonymous with income. Wages cannot fall below some such minimum because if the masses are to produce for the few, then the few must pay them at least enough to keep life going, even though they possessed the power to make them work for nothing. A man may possess power of life and death over his slave, but he will not get much out of him unless he feeds him. The nature of the horizontal limb of the curve clearly shows this principle. No such principle is illustrated in the curve for property, for a man may live without property, though he can not live without income, which makes it possible for the few to acquire *all* property. This the few actually do in a population made up mostly of chattel slaves, and Fig. 1 would seem to show that in effect this has been done in our glorious land of freedom to-day.

Although the figures and assumptions entering into these diagrams are extremely rough from a mathematical standpoint, nevertheless, the errors they involve can not affect the broad facts they display. The pitfalls of statistics do not lie in a failure to refine, but rather in a failure to interpret. Probably that group of family incomes where the distribution is least known is the group from $2,100 to $5,250. And the group where the distribution is best known is the group of family incomes from $5,250 up. This is the group of individual incomes from $2,500 up. Owing to the returns from the income tax, accurate information as to distribution in this high income group is obtainable, and it is worthy of separate consideration.

The Annual Report of the Commissioner of Internal Revenue for 1914 gives the number of persons receiving incomes in each of eighteen specified groups above $2,500. Owing to omissions that are discussed in the report, the incomes mentioned are all less than the actual incomes, but since the omissions would apply with approximately the same proportional weight throughout, the figures lose none of their significance as far as distribution is concerned. Fig. 3 is a diagram which treats these incomes as we treated all incomes in Fig. 2. It is the attenuated vertical point of Fig. 2 brought down to a horizontal and vertical scale that will make the distribution apparent.

When we remember that the statistics bind this curve much more fully than the curves of Fig. 1 and Fig. 2, there is something very striking about its continuity. So striking, in fact, that it makes us sus-


DISTRIBUTION OF HIGHER INCOMES
1913
By C. A. Gilchrist
Compiled from Annual Report of the Commissioner of Internal Revenue for 1914. (Page 112,- Income tax returns)
Fig. 3
SCALE
0 1 2 3 4 5 units
1 unit horizontally = 30,000 persons
1 " vertically = $10,000
1 square unit = $300,000,000
Total income = area = $3,189,000,000
Average income $9,000
$2,500
$333⅓
$5,000
$10,000
$15,000
$20,000
$25,000
$30,000
$40,000
$50,000
$75,000
A
B
C
79,400
114,500
101,700
26,800
12,000
6,800
4,200
4,500
2,400
2,600
2,600
(Last 8 groups —)
POPULATION
(357,600 PERSONS)
PERSONAL INCOME

picious of some general law of incomes displayed therein. In every one of the eighteen groups the mean rate of increase of the incomes is greater than the mean rate in the preceding group. It is not remarkable that the incomes continually increase from left to right, for they were so arranged as a condition of the drawing—but it is remarkable that their rate of increase should continually increase. True, this was also the case in the other two diagrams, but the continuity of curvature was not so marked and in the case of Fig. 1 we were free to make the curve fairly smooth, since we were bound to only two points. But here we are bound to eighteen points, all of which lie on a strikingly graceful curve.[4] Only ten of these eighteen points are shown on the diagram, the others all lying on the vertical limb beyond the limits of the drawing. But by plotting to other scales the same continuity is exhibited in all parts of this vertical limb. No manner of plotting will show satisfactorily the full extent of both horizontal and vertical limb at the same time.

What does this continuity of curvature mean? It means that incomes increase throughout their whole range at an expanding rate. In the fourth group the rate of increase is nineteen cents per person, while in the fifth group the rate is forty-two cents per person. In the first group the rate is one cent per person, while in the seventeenth group the rate is $2,280 per person. Or to put it in another way—a man in the seventeenth group, in order to raise his income by $2,280, must get ahead of but one other man in the race, whereas a man in the first group must pass some 228,000 others in order to raise his income by a like amount. It all means that the greater a man's income the easier it is for him to augment it—a state of affairs curiously incongruous, since the greater his income the less need for him to augment it. But this is the principle in distribution that accounts for the enormous inequalities of property shown by Fig. 1. It is what Herbert Spencer would call an example of the law of the "multiplication of effects." Or in current platitudes, "nothing succeeds like success." It would seem to show that a condition even approaching equality was one of unstable equilibrium and that society contains within itself the seeds of economic destruction. We do not assert that such is the case for there may be other seeds in society with an opposing tendency, but such opposing forces are not now, at least, in evidence.

[4] The curve in Fig. 3 has the general shape of the mathematical curve $xy^2 = a$. A curve of this form was forced to pass through the three points A, B and C by conditioning three of its parameters. These were the position of its two axes, and the constant a. If for coordinate axes we take the axis of X, .34 units below the horizontal base; and for the axis of Y, a line .039 units to the left of our right-hand vertical, then the curve $xy^2 = 3.85$ so referred, will pass very close to all ten points. At the $10,000 point it will be about .05 units too high, but at the other points the variation is too slight to show upon a drawing.

A summary of our survey points to the inevitable conclusion that the inequality of the distribution of wealth in the United States is violent beyond the dreams of avarice, and that its relation to human effort and ability is a vanishing quantity, while its relation to inequality of opportunity is most apparent.

With the opening of 1915 the wealth per capita was about $2,200, or, say, about $11,000 per family.[5] But these average or per capita figures are meaningless, since the property of the merest fraction of the people approaches anywhere near the average. The inequality in distribution is such that four fifths of the people own less than one tenth of the wealth, while 1 per cent. of the people own more than the remaining ninety-nine.

The annual production of wealth or annual income is about $300 per capita, or $1,500 per family, or $700 per person "gainfully employed."[6] If we subtract from individual incomes an amount not more than enough to cover the barest necessaries to physical existence, the remaining income or balance which "makes life worth living" shows an inequality in distribution on a par with that for property ownership.

The rate of saving, or rate of increase in property, is about $107 per capita per year.[7] Figures showing the distribution of this are lacking, but practically all the saving is necessarily with the few having the larger incomes. This follows directly from the expanding rate at which fortunes increase. If the annual addition to property was saved by the poor, then the poor would become richer and fortunes would tend to equalize instead of separate. Relative equality would then be a stable instead of an unstable state. The richer a man became the stronger the tendency to return to moderate prosperity. Such a state would be similar to all the faculties of man, such as thinking, walking, eating and so on. Any departure from the normal in these things is non-cumulative and sets up a tendency to return to the normal or healthy. And so it is with labor which produces all wealth, but not so it appears with the getting of wealth.

5 Pro rated from the figures for the period 1904–1912. Census Bulletin "Estimated Valuation of National Wealth," pp. 15. The figures include every form of wealth down to dealer's stocks in hand, and household and personal effects—and exclude only such extremely transient wealth as value added to food by house wife, and personal services which are consumed as fast as produced.

6 Persons gainfully employed includes only such as receive money for services and excludes a large class, for the most part of women whose services in house work while not translated into money value, is nevertheless exceedingly productive. The wealth created by this class is entirely consumed almost as soon as produced and since it does not enter into the circle of exchanges, it would be very difficult to estimate.

7 Obtained by dividing the difference of the figures for national wealth of 1912 and 1910, that is, the increase in wealth in the two years, by 2, and by the mean population for the period.

Taking the per capita production at $300 and the per capita saving at $100, then the per capita consumption is $200 with the major part of the population consuming at a rate well below this figure.

In connection with saving it is interesting to note that while economists repeatedly tell us that interest[8] is the reward of *abstinence* or *postponed consumption,* practically all the saving is done by those few who are already rich, and to whom saving rather than abstinence, is sheer inability to consume. It will be objected that man's desires being unlimited, any portion of even the largest incomes that is not consumed must be accredited to abstinence. But this is to say that there is no objective standard of abstinence, and without this the economics of the case becomes impossible. If the poor man who curtails his food consumption in order to lay by for a rainy day does not abstain in a far greater degree than the millionaire who goes without a steam yacht—then the word abstinence has lost meaning. It is true that if a poor man is to become rich he must begin by abstaining, but, as he becomes richer, although he saves faster and faster, he abstains less and less. That is to say, the amount saved bears no relation to the amount of abstinence. The one is no more a function of the other than the heat energy liberated by a fire is a function of the energy expended in rubbing the match that started the fire. Of the capital or permanent wealth annually saved by the nation but an insignificant part can be attributed to abstinence. Here again we see the law of the "multiplication of effects" in almost sinister operation. The less necessity for saving the easier to save. Those that are rich must become more rich, while those that are poor will just subsist. Economic life to-day seems to be of the nature of a game in which the loser and the winner do not get the gains in proportion to their ability or effort, but the winner gets *all* the gains. This is strongly reflected in the phraseology of the day in which we speak of the "game of business," or when we speak of money-making as a profession or business in itself. Just as if carpentry was one trade and money-making another. A writer on economics in justifying large fortunes says:

> It is useless to decry the great American fortunes as the result of railway discriminations, extortion, oppression of labor, monopoly, etc. They are with hardly an exception the result of superior ability. We may criticize some of the methods, . . . but we can not deny that at the outset each one of Mr. Rockefeller's associates had the same opportunity to take this advantage of the railroads that he had, nor that his remarkable success shows conclusively his greater skill at the game of business.[9]

The opportunity here mentioned is not to produce, but to "take advantage." The truth of the statement lies not in the justification, but in the assertion of fact, the fact that skill of the kind mentioned does,

[8] Interest in the broad sense, as synonymous with property income.

[9] "Economics of Business," by Edward Sherwood Mead, Chap. VIII.

under present conditions, succeed in appropriating wealth that is the product of another kind of skill. If it is true that men are justified in having what they can get with the help of their brains, then the masses would be justified in having the wealth the rich now have, if they could get it from them.

The idea that interest is the reward for *postponed* consumption is as incongruous as the idea that it is the reward for abstinence. If I postpone consumption now I must indulge it later, for otherwise it is not postponement, but relinquishment. It follows that in any considerable period of time there can be no outstanding postponement, for the postponement of some will be neutralized by others who are vindicating their postponement by consuming. No man can be said to postpone to the extent that he leaves the world with wealth to his credit, for that is relinquishment. But the national wealth is increasing. The per capita wealth in 1850 was about $300, and now it is $2,200.[10] It means that the net saving has not come about through postponement, but through lifetime relinquishment. From the point of view of the nation we might call it postponement, but not from the point of view of the individual.

Unlike production and consumption, these things—saving, abstinence, postponement—are mere negatives, each is merely a *not doing.* They are induced solely for the purpose of fostering their opposite, which is consumption, the reality. A social science that bases its definitions on such abstractions must be illusive. Saving is undertaken for the sole purpose of furthering spending. If abstinence is undertaken for any other reason than to promote indulgence, then abstinence becomes insanity. If postponement is not vindicated, then it is not postponement. To this list should be added *scarcity,* a thing that—if we may call it a thing—has been responsible for profound confusion in economic thought.

The incomes we are discussing are, of course, real incomes, and these do not always appear in the prevalent method of bookkeeping and accounting. Thus, when a farmer produces food directly for his own consumption as well as for the market, the value of the food that he takes from his garden to his table will not appear as a part of his money income. But such value should be added to his money income to obtain his real income. The same can be said of value added by the labor of the housewife, and in fact of all wealth which is never appraised because it never gets into the circle of exchanges where relative values are measured by the standard monetary unit.

The distinction between property and service incomes, while usually apparent, is not always so. It is plain that dividends, interest and rent

[10] In spite of the fact that currency prices of standard commodities fell about 44 per cent. between 1866 and 1896, prices in 1911 were at about the same level as prices in 1850. The above figures are therefore comparable.

are always a property income, but in cases where an individual who uses property is also the owner, his real income appears on its face as wholly a service income, although it arises through the two different sources. Here are two men in all respects equal, and laboring upon two properties in all respects alike. But the one rents his property and the other is an owner. The books of the one will show that rent is paid to some third party to whom the rent is a property income. But the books of the other will have no such rent item. However, his income will be larger than that of the first man by an amount equivalent to the rent and this amount of his income is a true property income *even though it is produced by his labor.* Although his labor is precisely the same as that of the first man, and applied upon a precisely similar property, yet he has the advantage in the unequal ownership of opportunity. In a utopian state in which opportunity was equally divided, it might be well to change our definitions, saying that there was no property income and that service income was the actual product of the labor. But in the present non-utopian state the distinction is a necessary one, since our customs make possible the appropriation of a part of the labor product.

Various estimates have been made of the ratio between property income and all income. Nearing estimates that from five to ten billion dollars is the amount annually *paid* to owners of property in the United States. Five per cent. on all the wealth accounted for by the Census would yield a total property income for the year 1913, of about ten billion dollars. That the mean rate on this property is 5 per cent. is, of course, an assumption. The total annual income for 1913 is twenty-eight billion dollars as listed on Fig. 2. Bearing in mind that Nearing's estimate does not include income on property used by the owner, it would probably be near the truth to say that a third of all income was property income, and two thirds service income. Other estimates have placed the property income at 40 per cent. of the total.

Beyond the fact that property incomes come mostly to the wealthy we are able to say little about the relative distribution of the two kinds of income. Among those with small income there will here and there be cases of income which is nevertheless derived from property, such as the poor widow owning a few thousand in railroad shares. And among the wealthy there will here and there be cases of large income derived from service, such as managers, corporation presidents, and famous actors and painters. We must remember, however, that many high salaries which are apparently service incomes, are in reality property incomes which take the form of high salaries in order to conceal inordinately high returns on certain properties of an unusually monopolistic nature. But on the whole the bulk of property income will go to the wealthy because the wealthy are the owners of the bulk of property.

On broad lines the difference between property income and service income seems to come back to the difference between "wages of bare subsistence" and the balance that "makes life worth living." With full knowledge of exceptions it is generally true that the property income gives a man the whole of his time, which is freedom itself, while the service income debars a man any of his time save what is absolutely necessary for rest and upbuilding, and this is economic slavery.

In these days when public opinion is correcting our morals to make a place for great individual fortunes, much currency is given to the thought that such wealth is by its very concentration a benefit to all, as well as to the owner. The thought seems to be that concentration of wealth makes investment in large scale production possible, for divided wealth would tend rather to be consumed than invested. But if this is true we reply that it only indicates that consumable wealth is more needed than capital wealth, and if it is not true then large-scale production would go on with a highly divided instead of a highly concentrated capital. The fact is that the concentration of wealth is on this very account bad, because through the curtailment of the purchasing power of the masses, it is a distortion of effective demand, and through that a distortion of the direction which production must take. Demand or purchasing power is wealth, and where wealth is concentrated there is demand concentrated. The things that will be produced are the things that the owners of wealth demand.

The benefit or advantage of a fortune is the interest or property income it will bring, and that goes to the owner exclusively. If the fortune was owned by many, then the interest or benefit would go to many. If the fortune is owned by one, then the entire benefit goes to one. The great fortune may be looked upon in two ways, one in which the owner lives frugally and reinvests most of his income, and the other in which he consumes all of his income. The first is an increasing fortune and the second a stationary fortune. In the ethics of the case the stationary fortune is alone under consideration, for whatever we may say of it may be said with still greater weight of the increasing fortune at some future time. Whatever may be said of a thing because it is big may also be said of it because it is increasing. The fact that a rich man is not consuming his income does not mean that some one else is consuming it—his frugality is no sacrifice in favor of the people.

A popular excuse for large fortunes is the current notion that they "give employment." In the ownership of opportunity it may be truly said that the rich have employment at their disposal, but they do not *give* it. They sell it at the whole value of the opportunity, and the employed gets the product of his labor minus that part of the product made possible by opportunity—he gets "wages of bare subsistence." If instead of a few large fortunes most people had a moderate fortune,

then the total of employment and opportunity would be no less, but in addition to "no opportunity wages" most people would receive a moderate property income—most people would participate in the excess of production due to opportunity. The idea that great fortunes are excusable on the grounds of giving employment is conspicuous in the writings of Andrew Carnegie. He looks upon the rich man as if he held the property of society in trust, or merely controlled it, to be administered by his higher powers of discernment. He excuses the unearned increment on the ground that the rich as a rule reinvest it, thus giving more and more employment. There is a strong tendency in the literature of the day to substitute the word control for own. The rich may control much property they do not own, but that is not included when we speak of their wealth. Even where ownership is meant we are prone to speak of a man as controlling vast properties upon which thousands are working, as if he did not actually *own* it and personally derive every possible benefit from it as much as a child derives benefit from a stick of candy in hand.

But if service incomes that actually accrue are less than the wealth produced, are they less than the wealth produced by a proportional amount? Are service incomes *proportional* to the product? In view of the great complexity of labor interchange, it would be impossible to answer this in the light of statistics. Who, for example, would undertake to say just what value was added to production by the services of a locomotive engineer? The main force tending to an irrational distribution is undoubtedly property income, so that this eliminated, we might fairly say that service incomes tend roughly to become proportional to product.

But even if we grant that service incomes are proportional to product, we must not forget that the *ability* to produce depends upon how much a man participates in property income. It depends upon leisure and education. Grant that your laborer is a shiftless sort and does not really produce more than $1.50 a day, still, were he the possessor of a small property income, his increased income would be enough to increase his ability to produce and thus increase his service income as well. The differences in what men do produce is vastly greater than the differences in their latent abilities. That among those born in poverty to die in poverty a large portion never produce much through lack of opportunity for development of productive powers, is evidenced by the dramatic cases of one born in poverty risen to be one of the world's most productive workers, Andrew Carnegie himself being such an example. If the seeds of these high productive powers were implanted only in a very limited portion of the human stock, then we should expect the children of the founders of fortunes to be the only fortune-makers. But this is precisely contrary to the facts. The riff raff of Great Britain

go to Australia, where opportunity develops their latent powers, and in a generation they are the leading citizens of the land, while the offspring of our rich men, if they succeed in maintaining their inherited fortune at all, are notably lacking in productive powers through a surfeit of opportunity, or a lack of something which only the feeling of a little of the pinch of necessity can supply. Thus; while service incomes may approach somewhere near a distribution in proportion to the wealth that the service actually produces, such a distribution is far from just, because the deduction from service of the income that goes to property is a deduction from productive ability itself. If property were more equally distributed, *because of that* production would also be more equally distributed.

The picture we have drawn is a depressing one. It is the more depressing when we remember that the question of wealth is the most important question in men's lives. An elect few who are neither rich nor poor have solved the problem of wealth, but not so with most.

> The fear of poverty makes us admire great wealth; and so habits of greed are formed, and we behold the pitiable spectacle of men who have already more than they can by any possibility use, toiling, striving, grasping to add to their store up to the very verge of the grave.[11]

But the picture is not so depressing when we compare society as it is with what it may be.

> Did you ever see a pail of swill given to a pen of hungry hogs? That is human society as it is.
>
> Did you ever see a company of well-bred men and women sitting down to a good dinner, without scrambling, or jostling, or gluttony, each knowing that his own appetite will be satisfied, deferring to and helping the others? That is human society as it might be.[11]

[11] Henry George, "Social Problems," Chap. VIII.